

**communities economic
development fund**

A Manitoba Crown Corporation

21ST ANNUAL REPORT

FOR THE YEAR ENDED MARCH 31, 1992

communities economic development fund

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MANDATE

To provide a supporting role in the economic development of northern and rural Manitoba by providing financial and other assistance for the creation and/or expansion of small business and entrepreneurship and including acting as the lending agency for the Fishermen's Loan Program under Part III of The Fisheries Act.

OBJECT

- * The object of the fund is to encourage economic development
 - (a) in northern Manitoba, as defined by Lieutenant Governor in Council by regulation;
 - (b) subject to the approval of the Lieutenant Governor in Council, in the fishing industry in the province, by acting as a lending authority and administering a loan program with respect thereto; and
 - (c) in conjunction with financial assistance provided by the Government of Canada under any economic development program to assist aboriginal people in the province outside The City of Winnipeg;

with particular emphasis on the needs of small business enterprises and community development corporations.

- * 3(1) The Communities Economic Development Fund Act

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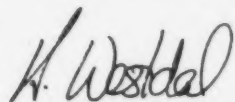
LETTER OF TRANSMITTAL

The Honourable James E. Downey
Minister Responsible for
Communities Economic Development Fund
Province of Manitoba
Room 333, Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Mr. Downey:

In accordance with the provisions of the Communities Economic Development Fund Act, I enclose the Report for the fiscal year ended March 31st, 1992, signed and certified in the prescribed manner.

Respectfully Submitted,



Harold Westdal
Chairperson

July 20, 1992

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DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

Mr. Harold Westdal Chairperson	Winnipeg
Mr. Parker Burrell	Mafeking
Mr. Elbert Chartrand	Swan River
Mr. George Dram	Wabowden
Mr. Jim McIvor	Thompson

OFFICERS

Mr. Harold Westdal	Chief Executive Officer
Ms. Loretta C. Clarke	Corporate Secretary/ General Manager
Mr. Gordon Wakeling	Treasurer/Manager of Finance

HEAD OFFICE

23 Station Road, Thompson, Manitoba, R8N 0E9
Telephone: (204) 778-4138 Fax: (204) 778-4313

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REPORT OF THE GENERAL MANAGER

The board, staff and management of the Communities Economic Development Fund have addressed several new and existing challenges in the past year. As part of implementing our strategic plan, we worked with the government to revise the Act to bring it up-to-date in order for the fund to continue as a useful tool in the economic development of this Province.

The following activities were highlights in revising our operations:

- * Act Revision - July, 1991
- * Appointment as Lending Agency for the Fisherman's Loan Program - January, 1992.
- * Revision of By-Laws, Regulations and Policies.
- * Hiring of Special Consultant in Term Position to address collections and training.
- * Operations Manual Update.

The Board and Management held special meetings to develop a new five year Strategic Plan.

Due to the global recession, our clients were faced with difficult times in their business operations. The staff and management focused on business counselling and financial planning as part of our mandate.

Loan applications declined as entrepreneurs considered the many risks of investing in business and the fewer available opportunities.

The Winnipeg consultants' office was decentralized to Thompson to address the northern focus of the fund. The Swan River office, which serves western Manitoba, was busy and a part-time secretary was added to the operation.

The total loan portfolio of \$4.9 million supports 115 active businesses with a total gross revenue projected at \$16 million and provides approximately 350 jobs in northern and rural areas of Manitoba.

A loan to the wild rice industry provided support to 70 producers in northern Manitoba.

During the past year the fund redefined its purpose and revised its programs; the coming year will focus on expanded participation and networking with other agencies involved in regional economic development.

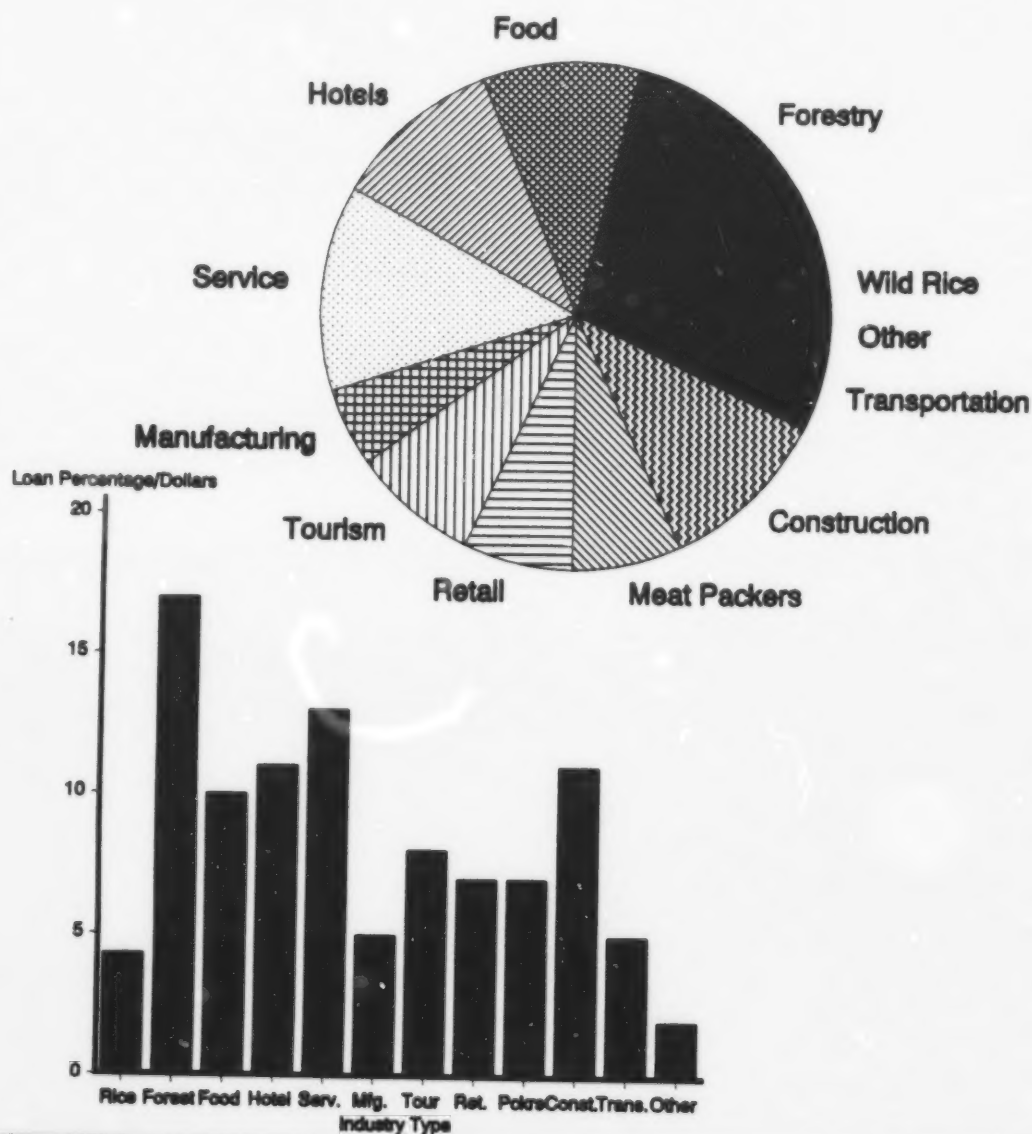
Loretta Clarke
General Manager

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BUSINESS LOANS PORTFOLIO

DISTRIBUTION OF LOAN DOLLARS BY INDUSTRY



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LOANS APPROVED IN THE YEAR 1991-92 \$1,183,686

Amount	Name	Location	Purpose	Interest Rate	Term (Mths)
\$ 13,325	Richard, Sam	Camperville	Home Const.	10.5%	36
\$ 23,220	Attley, Henry J.	Bird	Taxi	10.5%	30
\$ 43,340	Young, Andrew G.	The Pas	Used Furniture	10.876%	36
\$505,000	North Country Wild Rice	The Pas	Wild Rice	10.375%	7
\$170,790	Menard, Henry	Camperville	PMU Ranch	9.125%	30
\$ 56,740	Genaille, Bert & Elizabeth	Cormorant	Taxi	9.125%	30
\$ 15,000	Fleming, John	Pine River	Hotel	guarantee	12
\$ 3,100	Fleming, John	Pine River	Hotel	9.125%	term
\$ 2,535	Lewis, Charles	The Pas	Neon Service	9.625%	36
\$ 14,385	Richard, Ron H. Inc.	Camperville	Native Art	9.625%	24
\$ 23,250	Young, Andrew G.	The Pas	Used Furniture	10.375%	bridge
\$ 31,000	Nor'Western Boot Co. Ltd.	Thompson	Footwear	9.0%	36
\$ 13,131	Lindell's Service	Overflowing River	Lodge/Service Station	9.0%	bridge
\$ 23,850	de-Montigny, James	Russell	Flower Gift	9.125%	30
\$ 25,000	Thompson, Shane	Sundance	Lodging	9.125%	24
\$150,000	Freeman/Fenner	The Pas	Retail Fabric	9.0%	120
\$ 21,000	Dwyer, Dennis	Wabowden	General Store	9.0%	24
\$ 24,020	Graham, Norman	Bowsman	Skidder	9.0%	48
\$ 25,000	Fortin, Henri	Grandview	Camp, Tadoule	9.0%	24

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REPORT OF LOANS APPROVED

FISCAL YEAR	APPLICATIONS APPROVED	AMOUNT	JOBS CREATED AND/OR RETAINED
1972	19	\$ 389,500	56
1973	82	\$ 1,349,750	125
1974	43	\$ 983,983	100
1975	16	\$ 731,910	73
1976	18	\$ 374,470	100
1977	38	\$ 704,658	108
1978	20	\$ 510,399	103
1979	20	\$ 556,459	92
1980	37	\$ 1,982,791	144
1981	34	\$ 1,180,740	120
1982	46	\$ 2,800,140	176
1983	31	\$ 2,138,275	138
1984	49	\$ 2,080,595	144
1985	63	\$ 2,326,548	172
1986	43	\$ 2,909,735	159
1987	66	\$ 3,573,294	215
1988	70	\$ 3,550,050	210
1989	22	\$ 725,243	31
1990	38	\$ 1,681,090	136
1991	30	\$ 1,737,344	80
1992	19	\$ 1,183,686	102
TOTALS	804	\$33,470,660	2584

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ACTIVITIES AND INITIATIVES for the year ended March 31, 1992

INTRODUCTION

The Fund is responsible for providing financial and other assistance in support of economic development within our lending area including reviewing proposed development and expansion projects to determine viability and providing financial and business advice and workshops.

ENQUIRIES AND APPLICATIONS

The Fund received one hundred sixty-eight enquiries during the past year. Thirty-seven were accompanied by business plans which were reviewed and analyzed by the administrative credit committee. As a result of the in-depth analysis, twenty-eight applications were taken to the Board and nineteen submissions were approved.

The revised Act set the criteria for providing financial assistance under the Act:

7(1)(b) Power to provide financial assistance

- (i) the applicant is engaged or about to engage in an economic enterprise in the province,
- (ii) appropriate financial assistance is not otherwise available to the applicant on reasonable terms and conditions,
- (iii) the nature and the amount of investment in the economic enterprise by any person other than the fund indicate that the person is committed to the economic enterprise, and

- (iv) the economic enterprise is reasonable likely to be successful.

ACCOUNT SUPERVISION AND REVIEW

Records of Supervision are required under the Act and the Fund's team of business loan consultants prepare annual records of supervision on their clients. The purpose is to monitor uses of the financial assistance provided and also assist the client in business and financial planning if required. During the past year the consultants and management prepared and reviewed over 100 client accounts.

ACT REVISION, REGULATIONS AND POLICIES

The Act revision was completed and passed in July, 1991. Following the revision, regulations and policies in the Business Loans Program underwent review and revision to conform to the revised Act. The operations manual was also updated.

CREDIT AND COLLECTIONS

New operating policies in the Fund and the review of the client accounts indicated a need to concentrate on a backlog of arrears and legal accounts. In the spring of 1991 the Board authorized the hiring of a special consultant in a term position with the mandate of collections or settlement on the outstanding accounts. Case studies were completed on 35 accounts with a general review of 62 accounts. A special seminar on credit and collections was conducted in October, 1991 with a focus on lending

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policies, securities, and pertinent collection criteria.

FISHERMEN'S LOAN PROGRAM TRANSFER

In April, 1991 the General Manager of the Fund was delegated to chair a committee on the transfer of the Fishermen's Loan Program from M.A.C.C. to C.E.D.F. The committee was comprised of representatives from Crown Corporations Council, Treasury Board, Finance, M.A.C.C., Department of Natural Resources, Department of Northern Affairs and Legislative Council. The committee completed their report by the fall of 1991 and in January, 1992 the C.E.D.F. was appointed "Lending Agency" of the Fishermen's Loan Program under Part III of the Fisheries Act.

As of April 1, 1992 the C.E.D.F. is fiscally responsible for the program in its entirety - both the loans portfolio and administrative costs.

RESOURCE CENTRE

The C.E.D.F. acts as a resource centre for other programs involved with economic development consulting with economic development groups and government programs and distributing information on various government funding and development programs.

NETWORKING AND COMMUNICATIONS

It is critical that C.E.D.F. communications closely with other agencies and groups. C.E.D.F. has participated in meetings with business associations, fishermen's associations, aboriginal agencies, N.A.C.C., regional development corporations, and chamber of commerce groups. The C.E.D.F. board and management hosted community information meetings in The Pas and Swan River in the past year. We continue to network with various provincial and federal government departments involved in economic development and resources sharing information on programs and resource material.

COMMUNITIES ECONOMIC DEVELOPMENT FUND

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PARTNERS

N. FISKE C.A.	R. FILLER C.A.
K. M. McLEAN C.A.	A. D. BOOMAN C.A.
M. M. JONES C.A.	K. W. GROWER C.A.
S. G. ANDREW C.A.	F. A. WEBER C.A.
N. FRY C.A.	W. W. FINOLATER C.A.
R. J. MARTENS C.A.	E. A. KURBIS C.A.
D. L. ANDERSON C.A.	D. W. STREUBER C.A.

CONSULTANT
E. B. STREUBER C.A.

HUBERT READE C.A. 1910-1945 THOMAS SILL C.A. 1927-1989

AUDITORS' REPORT

We have audited the balance sheet of **Communities Economic Development Fund** as at **March 31, 1992** and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at **March 31, 1992** and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Winnipeg, Manitoba
May 14, 1992

Sill Streuber Fiske & Company
Chartered Accountants

COMMUNITIES ECONOMIC DEVELOPMENT FUND

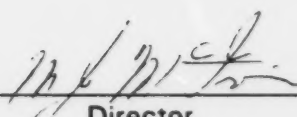
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BALANCE SHEET

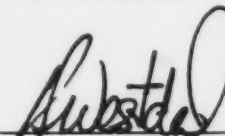
March 31, 1992

	1992	1991
ASSETS		
Cash	\$ 1,214,448	221,066
Trust deposits	2,603,820	2,603,820
Due from Province of Manitoba (Note 7)	694,047	717,294
Accounts receivable	21,232	3,690
Prepaid expenses	5,887	6,606
Loans and mortgages receivable (Notes 2 and 4)	3,562,719	4,400,487
Fixed assets (Notes 2 and 8)	39,985	47,782
	<u>\$ 8,142,138</u>	<u>8,000,745</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 66,633	200,328
Due to Manitoba Development Corporation (Note 2)		25,194
Due to Department of Natural Resources	145,282	
Accrued pension liability (Note 2)	513,000	358,000
Advances by the Province of Manitoba (Note 3)	7,417,223	7,417,223
	<u>\$ 8,142,138</u>	<u>8,000,745</u>

Approved on behalf of the Board



Director



Director

COMMUNITIES ECONOMIC DEVELOPMENT FUND

STATEMENT OF OPERATIONS

Year ended March 31, 1992

	1992	1991
EXPENDITURES		
Administrative (Page 9)	\$ 932,890	917,360
Provision for doubtful accounts	416,071	764,334
	<u>\$ 1,348,961</u>	<u>1,681,694</u>
REVENUE		
Loan interest	\$ 450,687	609,253
Miscellaneous	40,579	31,831
	<u>\$ 491,266</u>	<u>641,084</u>
Net costs of operations before other items	<u>\$ 857,695</u>	<u>1,040,610</u>
OTHER ITEMS		
Past service pension fund costs (Note 2)	\$ 177,590	89,268
Court award and legal costs (Note 10)	29,817	41,020
Decentralization expense (Note 9)	59,921	132,355
Transfer of Fishermen's Loan Program (Note 11)	51,774	
	<u>\$ 319,102</u>	<u>262,643</u>
Excess of expenditures over revenue	<u>\$ 1,176,797</u>	<u>1,303,253</u>
SUBSIDY FROM THE PROVINCE OF MANITOBA	<u>1,176,797</u>	<u>1,303,253</u>
	<u>\$ 0</u>	<u>0</u>

COMMUNITIES ECONOMIC DEVELOPMENT FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended March 31, 1992

	1992	1991
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operations		
Excess of expenditures over revenue	\$(1,176,797)	(1,303,253)
Items not involving cash		
Depreciation	16,715	14,935
Provision for doubtful accounts	416,071	764,334
	<u>\$ (744,011)</u>	<u>(523,984)</u>
Net change in non-cash working capital balances	147,817	260,336
	<u>\$ (596,194)</u>	<u>(263,648)</u>
LENDING ACTIVITIES		
Loans issued	\$ (637,464)	(1,320,273)
Loan principal payments	1,059,161	753,611
Purchase of office equipment-net	(8,918)	(23,200)
	<u>\$ 412,779</u>	<u>(589,862)</u>
FINANCING ACTIVITIES		
Subsidy - Province of Manitoba (Note 1)	\$ 1,176,797	1,303,253
Increase in cash and trust deposits	\$ 993,382	449,743
CASH AND TRUST DEPOSITS, beginning of year	<u>2,824,886</u>	<u>2,375,143</u>
CASH AND TRUST DEPOSITS, end of year	<u>\$ 3,818,268</u>	<u>2,824,886</u>
Represented by:		
Cash	\$ 1,214,448	221,066
Trust deposits	2,603,820	2,603,820
	<u>\$ 3,818,268</u>	<u>2,824,886</u>

COMMUNITIES ECONOMIC DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

March 31, 1992

1. NATURE OF THE FUND

The Communities Economic Development Fund (The Fund) was established in 1971 as a Crown corporation to encourage the optimum economic development of remote and isolated communities within the Province of Manitoba. With an act revision passed in July, 1991 the object of the Fund was set to encourage economic development in Northern Manitoba (as defined in regulation); to act as a lending authority in the fishing industry in the Province and to provide financial assistance to aboriginal people in the province outside the City of Winnipeg in conjunction with financial assistance provided by the Government of Canada. To carry out these objectives it is not practical to pass on all of the Fund's costs to the users of its services. As a result, the Fund depends on a subsidy from the Province of Manitoba.

2. SIGNIFICANT ACCOUNTING POLICIES

Allowance for doubtful accounts

The allowance for doubtful accounts on loans, mortgages and interest receivable is based on a specific percentage provision for all accounts in arrears over ninety days plus a provision on an account by account basis where deemed necessary. In addition, a non-specific provision equal to 5% of the remaining loans, not specifically provided for, has been made. This non-specific provision is intended to cover unforeseen losses on loans which have not yet been identified.

Administrative expenses

The Fund was jointly administered with the Manitoba Development Corporation (MDC) until December 31, 1990. Common administrative expenses were reviewed and allocated between MDC and The Fund on a proportionate basis.

Pension expense and obligations

The employees of the Fund are not members of the Civil Service of the Province but they contribute to, and are pensionable under, the Civil Service Superannuation Fund. In accordance with the provisions of the Manitoba Civil Service Superannuation Act, the Fund will contribute 50% of the pension payments made to retired employees. Payments to the pensioners are charged against the liability account. The current pension expense is determined on the basis of an actuarial valuation. In fiscal years prior to 1989, the Fund charged to operations contributions to the Manitoba Civil Service Superannuation Fund which amounted to 50% of the pension payments made to retired employees. Beginning in the 1989 fiscal year the fund has recorded a provision to fund current service obligations. In the fiscal year under observation the balance of the past service obligation has been provided for. The total liability as at March 31, 1992 amounts to \$513,000 (1991 - \$358,000). Additional provision was required in 1992 to provide for the transfer of four employees from M.A.C.C. to the Fund (as part of the transfer of the Fishermen's Loan Program).

Depreciation

Office furniture and equipment is depreciated at 10% on a straight-line basis, with exception of computer equipment and software which is depreciated at a rate of 33 1/3% per annum.

COMMUNITIES ECONOMIC DEVELOPMENT FUND

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NOTES TO FINANCIAL STATEMENTS

March 31, 1992

3. ADVANCES BY THE PROVINCE OF MANITOBA

Funds are advanced by the Province by way of interest-free conditional grants to a revolving fund for the purpose of making direct loans and guarantees. Any funds drawn in excess of current needs are deposited with the Province interest free. If the Communities Economic Development Fund should cease operations then all remaining funds will be returned to the Province.

The funds advanced are as follows:

	1992	1991
Balance, end of year	\$ 7,417,223	7,417,223
Unused loan act capital available		
For the purpose of - Direct loans	\$ 3,005,000	3,005,000
Guarantees	1,400,000	1,400,000
	\$ 4,405,000	4,405,000

4. Loans and mortgages receivable

	1992	1991
Loans receivable	\$ 4,450,022	5,883,885
Mortgages receivable	109,486	110,864
Accrued interest	354,080	428,140
	\$ 4,913,588	6,422,889
Allowance for doubtful loans (Note 5)	1,350,869	2,022,402
	\$ 3,562,719	4,400,487

COMMUNITIES ECONOMIC DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

March 31, 1992

5. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The change in the allowance is accounted for as follows:

	----- 1992 -----			-- 1991 --
	Specific	Non-Specific	Total	Total
Balance, beginning of year	\$1,833,485	188,917	2,022,402	1,914,900
Provision during the year	466,223	(50,152)	416,071	764,334
Accounts written off	\$2,299,708	138,765	2,438,473	2,679,234
	1,087,604		1,087,604	656,832
Balance, end of year	\$1,212,104	138,765	1,350,869	2,022,402

6. LOAN COMMITMENTS AND CONTINGENT LIABILITIES

	1992	1991
Undisbursed balance of approved loans	\$ 664,095	628,365

7. DUE FROM PROVINCE OF MANITOBA

The Province of Manitoba provided a grant to cover the Fund's anticipated subsidy requirements for the year ended March 31, 1992. The amount of \$694,047 (1991-\$717,294) represents additional funds needed to cover the actual requirements for the year including coverage for the pension liability. The balance is comprised of the following:

	1992	1991
Department of Northern Affairs		
Subsidy	\$ 181,047	359,294
Pension	513,000	358,000
	\$ 694,047	717,294

8. FIXED ASSETS, AT COST

	1992	1991
Office furniture and equipment,		
Balance, beginning of year	\$ 77,760	79,832
Purchases during the year	14,656	27,275
Disposals during the year	(6,076)	(29,347)
	\$ 86,340	77,760
	(46,355)	(29,978)
Accumulated depreciation	\$ 39,985	47,782

COMMUNITIES ECONOMIC DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

March 31, 1992

9. DECENTRALIZATION EXPENSE

The Fund moved it's Head Office to Thompson in August, 1990 as part of the Government of Manitoba's decentralization program. A consultant's office was established in Swan River. The Winnipeg consultants' office was decentralized to Thompson in March, 1992. Decentralization expenses include severance packages, disturbance allowance and moving expenses.

10. COURT AWARD

In 1980 a judgement was rendered against the Fund which resulted in certain real property being returned to the plaintiff. The court award and legal costs for the year ended March 31, 1992 represent final costs with respect to this judgment.

11. FISHERMEN'S LOAN PORTFOLIO

The Fund was charged with the responsibility of planning and implementing the transfer of the Fishermen's Loan Program from M.A.C.C. to the Fund. Costs include legal services, an audit review of the portfolio, travel expenses, salary allocation and software for the loan ledger system.

The Fund was appointed the 'Lending Agency' for the Fishermen's Loan Program (under Part III of the Fisheries Act) in January, 1992. The portfolio had previously been administered by M.A.C.C. and funded by the Department of Natural Resources. Effective April 1, 1992 this portfolio has been transferred to the Fund in its entirety. For the 1993 year a separate schedule will be prepared for the administration costs of the program.

COMMUNITIES ECONOMIC DEVELOPMENT FUND

SCHEDULE OF ADMINISTRATIVE EXPENSES

Year ended March 31, 1992

	1992	1991
Communications	\$ 53,389	37,723
Consultants' fees and expenses	40,536	20,107
Credit reports	5,253	17,467
Depreciation	16,715	14,935
Directors' fees and expenses	49,882	59,322
Legal and audit	81,194	79,515
Office supplies and expenses	20,916	20,306
Rent and utilities	54,918	100,805
Salaries and employee benefits	563,673	521,538
Sundry	9,220	6,157
Travel	37,194	39,485
	<u>\$ 932,890</u>	<u>917,360</u>